

## Message Text

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10

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /083 W

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R 170642Z JUL 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2549

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E.O. 11652: N/A

TAGS: ECON, IR

SUBJECT: MORE NOISE MADE ABOUT CONTROLLING IRANIAN  
INFLATION

REF: TEHRAN 3890

1. SUMMARY. CABINET-LEVEL COMMITTEE HAS BEEN  
APPOINTED TO DEVISE MEANS OF CONTROLLING IRANIAN INFLA-  
TION. THE GOI NO LONGER IS BLAMING PRICE INCREASES ON  
IMPORTED INFLATION. SKYROCKETING RENTS SEEM TO BE ONE  
OF THE MAIN REASONS FOR THE GOVERNMENT'S RENEWED CONCERN  
OVER THE INFLATION PROBLEM. RESULTS SEEM UNLIKELY TO BE  
MORE PRODUCTIVE THAN HAS BEEN THE CASE IN THE PAST.  
END SUMMARY

2. TEHRAN PRESS THIS WEEK HAS BEEN AWASH WITH REPORTS OF  
A NEW GOI STRUGGLE AGAINST INFLATION. ON JULY 15 A  
"DIRECTIVE" FROM THE SHAH WAS PUBLISHED STATING THAT IF  
"SATISFACTOR" RESULTS ARE NOT OBTAINED AGAINST PRICE IN-  
CREASES WITHIN A MONTH, "INSTRUCTIONS WILL BE GIVEN  
WITHOUT DELAY" TO IMPLEMENT A LAW PASSED IN MAY, 1974,  
CALLING FOR THE TRIAL OF PROFITEERS AND HOARDERS BY  
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MILITARY COURTS.

3. ON JULY 14, PRIME MINISTER HOVEYDA ANNOUNCED THE  
APPOINTMENT OF A CABINET-LEVEL COMMITTEE TO DRAW UP

MEASURES FOR DEALING WITH THE PROBLEM OF INFLATION. THE COMMITTEE IS CHAIRED BY MINISTER OF ECONOMIC AFFAIRS AND FINANCE HUSHANG ANSARY AND ALSO INCLUDES COMMERCE MINISTER MAHADAVI, AGRICULTURE AND NATURAL RESOURCES MINISTER ROUHANI, HOUSING MINISTER HOMAYOUN JABER-ANSARI, CHAMBER OF COMMERCE, INDUSTRIES AND MINES PRESIDENT TAHER ZIAI AND CONSUMERS PROTECTION CENTER CHIEF M.A. SAFFARI. ACCORDING TO A CENTRAL BANK OF IRAN SOURCE, THE COMMITTEE MET FOR MOST OF THE DAY ON JULY 15. THE PRESS REPORTED THAT DETAILED ANTI-INFLATIONARY MEASURES WERE EXPECTED TO BE ANNOUNCED ON JULY 16. HOWEVER, A PRESS CONFERENCE HELD BY COMMITTEE CHAIRMAN ANSARY AFTER THE MEETING PRODUCED LITTLE MORE THAN THE USUAL PLATITUDES ABOUT THE GOI'S DEDICATION TO CURBING INFLATION AND WARNINGS TO PROFITEERS. ACCORDING TO ONE ACCOUNT, HE THREATENED TO "GLUT THE MARKET WITH IMPORTED GOODS" UNLESS IRANIAN PRODUCERS LOWER PRICES.

4. AS THE DEPARTMENT IS AWARE, THE PROBLEM OF INFLATION HAS BEEN PLAGUING THE RAPIDLY GROWING IRANIAN ECONOMY FOR THE PAST TWO YEARS. DURING THE IRANIAN YEAR ENDING MARCH 20, 1975, OFFICIAL INDICES SHOWED AN INCREASE OF ALMOST 16 PERCENT IN BOTH WHOLESALE AND CONSUMER PRICES. DATA AVAILABLE FOR THE FIRST TWO MONTHS OF THE CURRENT YEAR INDICATE A SLOWDOWN IN WHOLESALE PRICE INFLATION BUT AN ACCELERATION OF THE RISE IN CONSUMER PRICES TO ABOUT 19 PERCENT. AS HAS BEEN PREVIOUSLY REPORTED (REFTEL), THE OFFICIAL INDICES ARE WIDELY BELIEVED TO UNDERSTATE THE REAL RATE OF INFLATION WHICH CURRENTLY IS PROBABLY AT LEAST 25 PERCENT.

5. THE CURRENT CAMPAIGN AGAINST INFLATION DIFFERS FROM THE PERIODIC OUTBURSTS PREVIOUSLY HEARD OVER THE PAST YEAR IN THAT GOI OFFICIALS NO LONGER ARE TRYING TO CAST A LARGE SHARE OF THE BLAME ON RISING IMPORT PRICES. MINISTER HUSHANG ANSARY HAS STATED PUBLICLY THAT PRICES STILL ARE RISING IN IRAN IN SPITE OF THE OVERALL DOWNWARD TREND IN COMMODITY PRICES ELSEWHERE. ANOTHER NEW LIMITED OFFICIAL USE  
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ELEMENT IS THE EMPHASIS ON MEASURES TO AMELIORATE RAPIDLY RISING RENTAL COSTS IN URBAN AREAS. WHILE THE OFFICIAL CONSUMER PRICE INDEX TENDS TO UNDERSTATE RENTAL COSTS BECAUSE IRANIAN LAW MAKES IT DIFFICULT FOR LANDLORDS TO INCREASE RENTS EXCEPT WHEN TENANTS MOVE OUT, MINISTER OF HOUSING AND TOWN PLANNING JABER-ANSARI WAS QUOTED IN THE FARSI LANGUAGE AYANDEGAN AS STATING THAT COSTS OF RENTING HAVE DOUBLED IN THE PAST TWO YEARS AND ARE FOUR TIMES HIGHER THAN FOUR YEARS AGO. HE SAID A SPECIAL TAX WILL BE IMPOSED ON ANY DWELINGS LEFT VACANT FOR MORE THAN SIX MONTHS.

6. PIOUS PROCLAMATIONS ABOUT THE EVILS OF INFLATION ARE ONE THING; DOING SOMETHING ABOUT IT IS QUITE ANOTHER, AS KNOWLEDGEABLE GOI ECONOMISTS WILL CANDIDLY ADMIT. UNFORTUNATELY THEY SEEM TO HAVE NO BETTER IDEAS OF A REALISTIC METHOD OF CONTROLLING INFLATION IN A PERIOD OF RAPID ECONOMIC GROWTH AND MUSHROOMING DOMESTIC DEMAND THAN DO THEIR COLLEAGUES IN THE WEST. THE GOI'S ANTI-INFLATION CAMPAIGN IS THE THIRD RECENT MAJOR EFFORT, ALONG WITH TAX REFORM (TEHRAN A-131) AND THE WORKERS' SHARE IN INDUSTRIAL OWNERSHIP PLAN (TEHRAN 4842), TO BRING ABOUT A MAJOR REFORM OF THE IRANIAN ECONOMY. MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY HAS BEEN CHARGED WITH ALL THREE RESPONSIBILITIES. HE UNDOUBTEDLY IS UNDER HEAVY PRESSURE TO PRODUCE RESULTS, AND THE ANTI-INFLATION STRUGGLE SEEMS LEAST LIKELY OF ALL TO BE FRUITFUL.

7. NEVERTHELESS, THE GOI IS SHOWING INCREASING CONCERN OVER THE ECONOMIC PROBLEMS CREATED FOR THE AVERAGE IRANIAN BY THE COUNTRY'S CURRENT RAPID RATE OF ECONOMIC GROWTH. IT ALSO IS SHOWING REFRESHING CANDOR IN ADMITTING THAT ITS INFLATION PROBLEMS ARE INTERNAL. NATIONAL IRANIAN RADIO AND TELEVISION THIS WEEK CARRIED INTERVIEWS WITH A NUMBER OF IRANIAN "MEN IN THE STREET," THE MAJORITY OF WHOM WERE HIGHLY CRITICAL OF THE GOVERNMENT'S FAILURE TO CONTROL PRICE INFLATION.

8. IT REMAINS TO BE SEEN HOW TOUGH THE GOI WILL BE AGAINST THE PROFITEERS CURRENTLY BEING CASTIGATED AS THE MAIN CULPRITS IN THE INFLATION PROBLEM. AS FAR AS THE EMBASSY LIMITED OFFICIAL USE  
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IS AWARE, NO TRIALS BY MILITARY COURTS HAVE YET BEEN HELD UNDER THE MEASURES PAST IN MAY 1974. WE WILL REPORT ANY ADDITIONAL DEVELOPMENTS.  
MIKLOS

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## Message Attributes

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